

## STATE APPROPRIATIONS LIMIT

The Arizona Constitution restricts the appropriation of certain state revenues to no more than 7.41% of Arizona personal income. The applicable revenues are primarily tax and fee collections that may be deposited to either the General Fund or dedicated funds. A.R.S. § 41-1273 requires our office to determine how state spending compares to the appropriations limit. Due by February 15, this report is to cover the spending for the prior year, the current year, and next year.

Our calculations are as follows:

consideration for services, (3) federal grants, (4) donations and gifts, and (5) amounts received by the state in the capacity of trustee, custodian or agent.

The Arizona Constitution requires the Economic Estimates Commission (EEC) to determine the estimate of total personal income used to compute the appropriations limit. The EEC is composed of three members: the Director of the Department of Revenue and two members who are knowledgeable in the field of economics - one appointed by the Speaker of the House and one by the President of the Senate.

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
	(dollars in billions)		
Arizona Personal Income	\$180.00	\$202.00	\$217.40
Appropriations Limit (7.41% of Arizona Personal Income)	\$13.34	\$14.97	\$16.11
Spending subject to the Limit	\$12.13	\$13.79	\$14.03
Spending as a % of Personal Income	6.74%	6.83%	6.45%

As you can see from the above table, FY 2007 Arizona Personal Income is projected to be \$202.0 billion. With a 7.41% limit, the spending cap is \$14.97 billion. In comparison, the JLBC Baseline has a FY 2007 spending level subject to the limit of \$13.79 billion, which is 6.83% of personal income. Under the FY 2008 JLBC Baseline, spending is \$14.03 billion, or 6.45% of personal income. Please note that this estimate exceeds the JLBC's \$10.42 billion FY 2008 General Fund spending estimate, due to the inclusion of dedicated funds. On the reverse side of this sheet, there is a numerical history of the appropriations limit.

To save paper, we have not attached a copy of our detailed calculations. If you would like a full copy of the report or have any other questions, please contact our office.

In general, the revenues subject to the appropriations limit consist of (1) taxes, (2) university collections, and (3) licenses, fees and permits. These revenues may be either general or earmarked for special purposes. The appropriation of certain other state revenues is not subject to the limit. These revenues include (1) interest and dividends, (2) receipts from sales, rentals and

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# HISTORY OF APPROPRIATIONS LIMIT

Fiscal Year	Personal Income (Billions)	Statutory Limit %	Approp. Limit (Billions)	Actual Approp. (Billions)	Actual Appr. As % of PI %
1980	\$20.65	7.00%	\$1.446	\$1.437	6.96%
1981	24.70	7.00	1.729	1.718	6.96
1982	28.50	7.00	1.995	1.903	6.68
1983	31.60	7.18	2.270	1.918	6.07
1984	33.50	7.18	2.410	2.187	6.53
1985	37.00	7.18	2.656	2.414	6.52
1986	41.30	7.18	2.965	2.752	6.66
1987	45.40	7.18	3.260	3.068	6.76
1988	49.30	7.18	3.540	3.370	6.84
1989	53.00	7.18	3.800	3.676	6.94
1990	57.60	7.18	4.136	3.781	6.56
1991	62.60	7.18	4.495	4.156	6.64
1992	66.30	7.23	4.793	4.372	6.60
1993	69.10	7.23	4.996	4.524	6.55
1994	72.50	7.23	5.242	4.758	6.56
1995	80.42	7.23	5.814	5.424	6.74
1996	88.00	7.23	6.362	5.606	6.37
1997	94.90	7.23	6.861	6.086	6.41
1998	102.70	7.23	7.425	6.396	6.23
1999	113.00	7.41	8.373	7.144	6.32
2000	120.00	7.41	8.892	7.486	6.24
2001	127.60	7.41	9.455	7.969	6.25
2002	142.80	7.41	10.581	8.063	5.65
2003	147.90	7.41	10.959	7.962	5.38
2004	154.90	7.41	11.478	8.892	5.74
2005	166.20	7.41	12.315	10.636	6.40
2006	180.00	7.41	13.338	12.126	6.74
2007	202.00	7.41	14.968	13.787	6.83
2008	217.40	7.41	16.109	14.031	6.45

## ANNUAL AND CUMULATIVE GROWTH OF PERSONAL INCOME AND ACTUAL APPROPRIATIONS

Fiscal Year	Annual % Growth in Pers. Income	Annual % Growth in Actual Appr.
1981	19.61%	19.55%
1982	15.38	10.77
1983	10.88	0.79
1984	6.01	14.03
1985	10.45	10.38
1986	11.62	14.00
1987	9.93	11.48
1988	8.59	9.84
1989	7.51	9.08
1990	8.68	2.86
1991	8.68	9.92
1992	5.91	5.20
1993	4.22	3.48
1994	4.92	5.17
1995	10.92	14.00
1996	9.43	3.36
1997	7.84	8.56
1998	8.22	5.09
1999	10.03	11.69
2000	6.19	4.79
2001	6.33	6.45
2002	11.91	1.18
2003	3.57	(1.25)
2004	4.73	11.68
2005	7.30	19.61
2006	8.30	14.01
2007	12.22	13.70
2008	7.62	1.77
Cum. Growth	952.78%	876.41%